IT PROJECT EVALUATION

Project Tracking No.: W-007-FY03-Comm.

Return on Investment Program Funding Application (FY 2003 Request)

This is an electronic template. Please enter your responses on this document. Only electronic submittals of this template will be accepted. Proposals submitted after the designated due date may not receive funding consideration.
FINAL AUDIT REQUIRED: The Enterprise Quality Assurance Office of the Information Technology Department is required to perform a final project outcome audit, after implementation, for all Pooled Technology funded projects.

SECTION I: PROPOSAL

Date: 6/10/01

Agency Name: Iowa Division of Banking

Project Name: IDOB goes E!

Expenditure Name: System Overhaul

Agency Manager: Vaughn Noring

Agency Manager Phone Number / E-mail: 281-4014 vaughn.noring@idob.state.ia.us

Executive Sponsor (Agency Director or Designee): Holmes Foster

Request For ROI Application Waiver:

Agencies are required to complete this funding application when requesting funds for any project, any IT expenditure costing over $100,000, or any non-routine IT expenditure. If you feel there is compelling reason to waive this requirement, please provide (in the box provided below) a brief description of the project or expenditure, the budget amount, and a rationale for the waiver request. Until a decision is made regarding your waiver request, it is not necessary to complete any other portion of this application. The ITD Enterprise Quality Assurance Office will convey waiver request decisions within five working days of receipt.

Explanation: Project cost: $250,000. We believe the $250,000 requested qualifies for a waiver of the ROI process. The requested funds are for the continuation of a two-year project to be started in fiscal year 2002. This project is for the Iowa Division of Banking's (IDOB) daily IT-related operational needs, system upgrades and add-on features required for our re-designed bank examination processes, and improvements in our ability to deliver services to our customers. Every four years, we overhaul our system so we can provide better services and improved productivity. A major portion of the expense is to buy hardware, software licenses, and provide for on-going maintenance costs. All of the foregoing are scheduled expenses as based on Useful Life expectations as listed in Section IV: Financial Analysis.

No pooled funds are requested for this project. The project is not to be administered by ITD. This project is contained in the IDOB budget. All costs for this project will be reimbursed via fees assessed to the banking industry.

Based on the foregoing reasons, we believe this project should be waived from the ROI process.

RESPONSE TO WAIVER REQUEST:

Approved: X Disapproved: _____ Maybe: _____

Comment:

A. Project or Expenditure Rationale

Is this project or expenditure necessary for compliance with a Federal standard, initiative, or statute? ☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Is this project or expenditure required by State statute? ☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Does this project or expenditure meet a health, safety or security requirement?
☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Is this project or expenditure necessary for compliance with an enterprise technology standard?
☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

Is this project or expenditure consistent with meeting the goals and objectives of the State's strategic plans?
☒ **YES** (If "YES," explain) ☐ **NO**

Explanation: This is part of the 100% E-government initiative led by ITD. The success of this project not only improves the Division's operational efficiency and productivity, but also enables the IDOB to conduct business over the web. The banking industry and the citizens are the ones that benefit the most from the implementation of this project.

Is this a "research and development" project or expenditure? ☐ **YES** (If "YES," explain) ☒ **NO**

Explanation:

B. Project or Expenditure Summary

1. Provide a pre-project or pre-expenditure (before implementation) and a post-project or post-expenditure (after implementation) description of the impacted system or process. In particular, note if the project or expenditure makes use of information technology in reengineering traditional government processes.

Response: The pre-project system is an executive decision support system based on our current bank examination process. The key technologies are Microsoft NT 4.0, Microsoft BackOffice Suite 4.0, and other peripheral software such as network monitoring software, Office97, etc. For post-project system, please refer to question B.2.

2. Summarize the extent to which the project or expenditure improves customer service to Iowa citizens or within State government. Included would be such items as improving the quality of life, reducing the government hassle factor, providing enhanced services, improving work processes, etc.

Response: The post-project system will be an executive decision support system that focuses more closely on financial industry trends and issues. It will cover much more detailed bank financial information to support our re-designed risk-based bank examination process. The key technologies are Microsoft Windows 2000, Microsoft BackOffice 2000, Microsoft Office2000, and other peripheral software such as network security software, network monitoring software, etc.

3. Identify the main project or expenditure stakeholders and summarize the extent to which each, especially citizens, is impacted. In particular, note if the project or expenditure helps reconnect Iowans to State government.

Response: The post-project system will ensure our bank examination product complies with FDIC exam processes, both from the standpoint of technology and methodology. Scales of 1 to 10 (with 10 being the highest priority) are used to identify the importance of each project.

- 10 - Improve communication and cooperation between state banking system and the federal agencies, such as FDIC, Federal Reserve Banks, Office of the Comptroller of the Currency, etc.
- 9 - Meet FDIC technology standards for data exchange

The post-project system will provide our examiners with both current and historical bank financial data, so they can monitor, analyze, plan, design, and prioritize future regulatory initiatives.

- 10 - Strategic cornerstone to ensure the success of a risk-focused examination methodology
- 10 - Improve communication between central office and six field territories
- 10 - Improve bank examination efficiency and quality
- 9 - Improve the receipt and tracking of financial institutions' applications

The post-project system will also benefit the state banking industry. Banks will be able to retrieve and analyze categorized information available about themselves, their competitors, and nation-wide industry standards. The banking industry will be able to adjust their business strategies to create a more informed customer base and user friendly environment.

- 10 - Improve security to confidential financial data
- 9 - Improve communication between state and federal authorities and the financial services industry
- 10 - Improve service quality for clients and citizens

Without the development and implementation of risk-based supervision, the foregoing benefits would not be realized; efficiencies intended with re-organized operations would be lost; staffing levels would increase; the cost of regulation would be driven higher; and the quality of regulation would revert to levels which are undesirable and inferior to what federal authorities now provide. This would be a major hurdle to our strategic goal of improving Division operations.

Risk-based examination software is not commercially available, yet is a unique and exclusive need of the Division of Banking.

SECTION II: PROJECT ADMINISTRATION

A. Agency Information

1. Project Executive Sponsor Responsibilities: The sponsor must have the authority to ensure that adequate resources are available for the entire project, that there is commitment and support for the project, and that the organization will achieve successful project implementation.

Response: No response required.

2. Organization Skills:
   a. List the project management skills necessary for successful project implementation
   b. List the project management skills available within the agency
   c. List the source(s) of project management skills lacking within the agency
   d. Summarize relevant agency project management experience and results

Response: The skills necessary for successful project implementation include but are not limited to:
1. Project Management
2. Banking industry business expertise
3. System architecture design and implementation
4. Web design
5. Microsoft Office application integration
6. System security design and implementation, including PKI infrastructure, security policy, risk management, anti-virus, vulnerability assessment, etc.

Most of the skills exist in the agency; however, they reside in an extremely limited number of individuals with varying levels of expertise. Most of these individuals also act as the help desk for a group of 60+ examiners to conduct bank examinations. Outside contractors would supplement the IDOB's in-house IT staff by providing expertise in project management and the latest technologies. Over time, we anticipate having more FTEs available on the Division's IT staff to assist us in developing and maintaining future projects.

B. Project Information

1. History:
   a. Is this project the first part of a future, larger project? If so, please explain.
   b. Is this project a continuation of a previously begun project? If so, please explain project history, current status, and results.

Response: This project is a continuation of a project that began in FY02.

2. Expectations: Describe the primary purpose or reason for the project.

Response: The primary reason is to continue the second part of the project started in fiscal year 2002. The project is the cornerstone of sucessfully implementing our risk-based bank examination process. The re-designed bank examination is a must for our agency to effectively regulate the changing financial industry.

3. Measures: Describe the criteria that will be used to determine if the project is successful.

Response: The criteria is listed in the section I.B.3.

4. Environment: List the project participants (i.e. single agency, multiple agencies, State government enterprise, citizens, associations, or businesses, etc.).

Response: The Iowa Division of Banking will define and plan the project based on ITD enterprise technology guidelines. We will evaluate and negotiate with consulting companies to select the best contractor. We plan to collect input from various groups of people and financial instituitions including but not limited to executives from state banks, Iowa Bankers Association, ITD enterprise planing team, citizens, etc.

5. Risk: Describe the project risks which may be internal or external to State government, i.e. implementing versus not implementing project, changing technology, potential cost overruns, changing citizen demand or need, etc.

Response: We plan to use a project management software (such as MS PROJECT) that meets ITD standards to manage project development and risks. Potential risks include FDIC policy or software changes, changing technologies, unanticipated cost overruns, etc. Compatibility among various software used in the project posts a risk in overall system functioning. Timing differences in the adoption of new technologies by various regulatory agencies posts a risk in coordinating bank examination processes. We are expected to follow the lead of the FDIC to make adjustments in our technology environment. Ever-changing technologies also place great pressures on the system overhaul process. There are many different components of software that need to be tested before installation or upgrade to our production servers. IDOB will ensure that its environment meets the ITD standards. Last but not the least, the project cost controls deserve most of the attention. The IDOB needs to make sure that it can deliver a functional product. The preliminary plan is to break the project into small components with each one having an expected completion date and achievable goal.

6. Security / Data Integrity / Data Accuracy / Information Privacy
   a. List the security requirements of the project
   b. Describe how the security requirements will be integrated into the project and tested
   c. Describe what measures will be taken to insure data integrity, data accuracy and information privacy.

Response: Most of our data is strictly confidential as required by the Iowa Code. A secure data center is the number one priority. Part of this project is to implement both technical and procedural security controls. We will try to avoid the manual inputting of data, since human input errors are the most difficult to control. A data integrity policy or constraint will be implemented in the system level to ensure the quality of our data. Our examiners and bank analysts continually use our data to monitor and analyze bank financial conditions. We will also rely on the bank analysts to identify incorrect information as they review the data.

7. Project Schedule
   Describe general time lines, resources, tasks, checkpoints, deliverables, responsible parties, etc.

Response: We expect the project to be completed by the end of fiscal year 2003. The plan is to have the project broken into small individual components. During each project phase, we will evaluate and review each component and make adjustments as needed to ensure overall success. The Iowa Division of Banking will be responsible for the success of the project; however, any contractors used will be held accountable for their responsibilities under their contracts.

SECTION III: TECHNOLOGY (In written detail, describe the following)

A. Current Technology Environment

1. Software (Client Side / Server Side / Midrange / Mainframe):
   a. Application software
   b. Operating system software
   c. Major interfaces to other systems, both internal and external

Response:
1. Bank examination tools (required by FDIC) include ALERT, GENESYS, etc.
2. Bank examination report tools: Office 97/2000
3. OS: Win98/NT/2000
4. Sever application: MS BackOffice 4.5

2. Hardware (Client Side / Server Side / Mid-range / Mainframe):
   a. Platform, operating system
   b. Storage and physical environment
   c. Connectivity and bandwidth
   d. Logical and physical connectivity
   e. Major interfaces to other systems, both internal and external

Response:
1. Intel base laptops, desktops, servers
2. OS are Win98/NT/2000
3. T-1 for the Des Moines office, 28K dialup for all field examiners

B. Proposed Technology Environment

1. Software (Client Side / Server side / Mid-range / Mainframe)
   a. Application software
   b. Operating system software
   c. Major interfaces to other systems, both internal and external
   d. General parameters if specific parameters are unknown or to be determined

Response: Offshelf software/tools are likely to be all Microsoft applications. Software criteria is unknown at this time as upgraded versions may be released prior to project implementation. We will work with ITD to ensure that our choices meet the enterprise standard.

2. Hardware (Client Side / Server Side / Mid-range / Mainframe)
   a. Platform, operating system
   b. Storage and physical environment
   c. Connectivity and Bandwidth
   d. Logical and physical connectivity
   e. Major interfaces to other systems, both internal and external
   f. General parameters if specific parameters are unknown or to be determined

Response: We are expected to use Intel-based hardware. At this stage, we are not sure about the exact criteria for hardware as upgraded versions will likely be released prior to project implementation. We will work with ITD to ensure that our choices meet the enterprise standard.

C. Data Elements

If the project creates a new database, provide a description of the data elements.

Response: Not available.

SECTION IV: Financial Analysis

A. Budget: Enter figures and calculate (see formula below) Total Annual Prorated Cost (State Share).

$$\left[\left(\frac{Budget\ Amount}{Useful\ Life}\right)\times \%\ State\ Share\right]+\left(Annual\ Ongoing\ Cost\times \%\ State\ Share\right)=Annual\ \text{Pr}orated\ Cost$$

Budget Line Items	Budget Amount (1st Year Cost)	Useful Life (Years)	% State Share	Annual Ongoing Cost (After 1st Year)	% State Share	Annual Prorated Cost
Agency Staff	$	1	0%	$	0%	$0
Software	$	4	0%	$	0%	$0
Hardware	$	3	0%	$	0%	$0
Training	$	4	0%	$	0%	$0
Facilities	$	1	0%	$	0%	$0
Professional Services	$	4	0%	$	0%	$0
ITD Services	$	4	0%	$	0%	$0
Supplies, Maint, etc.	$	1	0%	$	0%	$0
Other (Specify)	$	1	0%	$	0%	$0

Totals	$		-------		-------		$		------	$0

Transfer this amount to the ROI Financial Worksheet, item “D” on page 14.

B. Funding: Enter data or provide response as requested

1. This is (pick one):
   - ☐ A Pooled Technology Fund or Reengineering Fund Request
   - ☒ An Agency IT Expenditure or Budget Request (General Fund, Road Funds, etc)
   - ☐ Other – Specify:

2. On a fiscal year basis, enter the estimated cost by funding source?

	FY03		FY04		FY05	
	Cost ($)	% Total Cost	Cost ($)	% Total Cost	Cost ($)	% Total Cost
State General Fund	$	0%	$	0%	$	0%
Pooled Tech. Fund	$	0%	$	0%	$	0%
Federal Funds	$	0%	$	0%	$	0%
Local Gov. Funds	$	0%	$	0%	$	0%
Grant or Private Funds	$	0%	$	0%	$	0%
Other Funds (Specify)	$250000	100%	$0	0%	$0	0%
Total Project Cost	$250000	100%	$0	100%	$0	100%

If applicable, summarize prior fiscal year funding experience for the project / expenditure.

Response: NA (we are only in fiscal year 01 now)

1. On a fiscal year basis, how much of the total ($ amount and %) project / expenditure cost would be absorbed by your agency from normal operating budgets (all funding sources)?

Response: 100%; however, all costs incurred will be reimbursed to the general fund through fees collected from the financial institutions regulated.

2. Identify, list, and quantify all new annual ongoing (maintenance, staffing, etc.) related costs (State $s) that will be incurred after implementation or expenditure.

Response:

$10,000 for training on new software for existing IT staff.

No additional maintenance costs other than adjustments for inflation are expected to be incurred as a result of this project. Our existing maintenace cost is approximately $4,000 annually.

No additional staffing is anticipated as a result of this project. However, additional staff may be added for other purposes.

C. ROI Financial Worksheet: Respond to the following and transfer data to the ROI Financial Worksheet (see IVC11) as necessary:

1. Annual Pre-Project Cost – Quantify all actual state government direct and indirect costs (personnel, support, equipment, etc.) associated with the activity, system or process prior to project implementation. This section should be completed only if state government operations costs are expected to be reduced as a result of project implementation.

Response: NA

2. Annual Post-Project Cost – Quantify all estimated State government direct and indirect costs associated with activity, system or process after project implementation. This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

Response: NA

3. State Government Benefit -- Subtract the total "Annual Post-Project Cost" from the total "Annual Pre-Project Cost." This section should be completed only if State government operations costs are expected to be reduced as a result of project implementation.

Response: Inasmuch as safety and soundness examination intervals approximate 24 months, it is anticipated full integration of risk-based supervision will be completed over a two-year period. During the next 24 months redesigned examination processes will direct resources to areas of prevalent risk and free resources currently dedicated to monitoring elements of lower propriety. The adaptation of risk-based supervision will parallel processes now used by federal examiners and permit the update and exchange of information used to monitor the condition and affairs of financial institutions regulated by this division. Risk-based technology will improve the quality of examinations, increase operating efficiency, and assist with the early identification and resolution of supervisory problems. Although the primary purpose of this project is to upgrade and improve the quality of regulatory services, once fully integrated, it is anticipated regulatory services may be provided with fewer examiners at a savings between $305,000 and $332,000 annually. Because Bank Division costs are offset by examination and administrative fees, it should be noted lower costs will generate a concurrent and equivalent reduction in fee income. The State's cash positon will therefore remain unaffected by this project.

4. Citizen Benefit – Quantify the estimated annual value of the project to Iowa citizens**.** This includes the "hard cost" value of avoiding expenses ("hidden taxes") related to conducting business with State government. These expenses may be of a personal or business nature. They could be related to transportation, the time expended on or waiting for the manual processing of governmental paperwork such as licenses or applications, taking time off work, mailing, or other similar expenses. As a "rule of thumb," use a value of $10 per hour for citizen time savings and $.325 per mile for travel cost savings.

Response: The financial services industry will derive economic benefit from lower regulatory costs between $305,000 and $332,000 annually. However, because regulatory costs represent a mere .91 of 1% of financial services industry operating expenses, citizens will derive no quantifiable economic benefit from this project. A greater benefit will be the maintenance of the public's confidence in a safe and sound banking system.

5. Opportunity Value/Risk or Loss Avoidance Benefit – Quantify the estimated annual non-operations benefit to State government. This could include such items as qualifying for additional matching funds, avoiding the loss of matching funds, avoiding program penalties/sanctions or interest charges, avoiding risks to health/security/safety, avoiding the

consequences of not complying with State or federal laws, providing enhanced services, avoiding the consequences of not complying with enterprise technology standards, etc.

Response: NA

6. Total Annual Project Benefit -- Add the values of all annual benefit categories.

Response: NA

7. Total Annual Project Cost – It is necessary to estimate and assign a useful life figure to each cost identified in the project budget. Useful life is the amount of time that project related equipment, products, or services are utilized before they are updated or replaced. In general, the useful life of hardware is three (3) years and the useful life of software is four (4) years. Depending upon the nature of the expense, the useful life for other project costs will vary between one (1) and four (4) years. On an exception basis, the useful life of individual project elements or the project as a whole may exceed four (4) years. Additionally, the ROI calculation must include all new annual ongoing costs that are project related. Completing Section IV-A, Project Budget of the evaluation document will provide all the necessary information for this item.

Response: NA

8. Benefit / Cost Ratio – Divide the "Total Annual Project Benefit" by the "Total Annual Project Cost." If the resulting figure is greater than one (1.00), then the annual project benefits exceed the annual project cost. If the resulting figure is less than one (1.00), then the annual project benefits are less than the annual project cost.

Response: NA

9. ROI -- Subtract the "Total Annual Project Cost" from the "Total Annual Project Benefit" and divide by the amount of the requested State IT project funds.

Response: NA

10. Benefits Not Readily Quantifiable -- List the project benefits which are not readily quantifiable (i.e. IT innovation, unique system application, utilization of new technology, hidden taxes, improving the quality of life, reducing the government hassle factor, meeting a strategic goal, etc.). Rate the importance of these benefits on a "1 – 10" basis, with "10" being of highest importance. Check the "Benefits Not Readily Quantifiable" box in the applicable row.

Response:
The post-project system will ensure our bank examination product complies with FDIC exam processes, both from the standpoint of technology and methodology. Scales of 1 to 10 (with 10 being the highest priority) are used to identify the importance of each project.

· 10 - Improve communication and cooperation between state banking system and the federal agencies, such as FDIC, Federal Reserve Banks, Office of the Comptroller of the Currency, etc.
. 9 - Meet FDIC technology standards for data exchange

The post-project system will provide our examiners with both current and historical bank financial data, so they can monitor, analyze, plan, design, and prioritize future regulatory initiatives.

· 10 - Strategic cornerstone to ensure the success of a risk-focused examination methodology
· 10 - Improve communication between central office and six field territories
· 10 - Improve bank examination efficiency and quality
· 9 - Improve the receipt and tracking of financial institutions' applications

The post-project system will also benefit the state banking industry. Banks will be able to retrieve and analyze categorized information available about themselves, their competitors, and the nation-wide industry standards. The banking industry will be able to adjust their business strategies to create a more informed customer base and user friendly environment.
· 10 - Improve security to confidential financial data
· 9 - Improve communication between state and federal authorities and the financial services industry
· 10 - Improve service quality for clients and citizens

Without the development and implementation of risk-based supervision, the foregoing benefits would not be realized; efficiencies intended with re-organized operations would be lost; staffing levels would increase; the cost of regulation would be driven higher; and the quality of regulation would revert to levels which are undesirable and inferior to what federal authorities now provide. This would be a major hurdle to our strategic goal of improving Division operations.

Risk-based examination software is not commercially available, yet is a unique and exclusive need of the Division of banking.

11. ROI Financial Worksheet

Annual Pre-Project Cost - How You Perform The Function(s) Now	
FTE Cost (salary plus benefits):	$
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$
A. Total Annual Pre-Project Cost:	$
Annual Post-Project Cost – How You Propose to Perform the Function(s)	
FTE Cost:	$
Support Cost (i.e. office supplies, telephone, pagers, travel, etc.):	$
Other Cost (expense items other than FTEs & support costs, i.e. indirect costs if applicable, etc.):	$
B. Total Annual Post-Project Cost:	$
State Government Benefit (= A-B):	$
Annual Benefit Summary	
State Government Benefit:	$
Citizen Benefit:	$
Opportunity Value or Risk/Loss Avoidance Benefit:	$
C. Total Annual Project Benefit:	$
D. Annual Prorated Cost (SECTION IV-A):	$0
Benefit / Cost Ratio: (C / D) =	N/A
Return On Investment (ROI): (C – D / Requested Project Funds) x 100 =	**%**
☒ **Benefits Not Readily Quantifiable**	

Section V: ITC Project Evaluation Criteria

Criteria and Location in Project Evaluation Document		Points
1.	Is the project a statutory requirement; legal requirement; federal or state mandate; health, safety or security requirement or issue; and/or required for compliance with the enterprise technology standards? **Location: Section I-A**	**15**
2.	Will the project improve customer service? **Location: Section I-B.2**	**15**
3.	Does the project have a direct impact on citizens? To what extent does the project help reconnect state government with Iowans? **Location: Section I-B.3**	**10**
4.	Does the project provide a sufficient tangible and/or intangible return on investment? Will it generate savings or income? **Location: Section IV-C**	**10**
5.	Does the project make use of information technology and its practical application in reengineering traditional government processes consistent with the goals and objectives of the state's strategic plans? **Location: Section I-B.1**	**10**
6.	Risk: What are the risks associated with the project? Such risks may include those internal and external to state government, the risk of doing a project, the risk of not doing a project, and the risks associated with changing technologies, potential cost overruns, and changing citizen demands and needs. **Location: Section II-B.5**	**10**
7.	Is this funding required to continue a project that was begun prior to the year funding is being requested for and does it have proven past performance? Is the funding part of a multi-year strategy? **Location: Section II-B1, IVB2**	**10**
8.	Will the project be for only one agency, multiple agencies, or the state government enterprise? **Location: Section I-B3, IIB4**	**10**
9.	Has the applicant maximized their own and other resources in the project? Is alternative funding unavailable for this project? (If no other funding available, project will not be completed without Pooled Technology funding) **Location: Section IV-B.2, IV-B.3**	**5**
10.	What is the credibility of the requester based on past performance on other projects? **Location: Section II-A.2.d**	**5**
	Total	**100**